

ECONOMIC INDICATORS

CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: July 31, 2013

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- Norfolk's unemployment rate in June stood at 7.6 percent (not seasonally adjusted), which was above the previous month's rate (7.2 percent) but was below the previous year's rate (8.5 percent). (See page 1)
- Virginia's nonfarm employment (not seasonally adjusted) rose year-over-year in June by 1.22 percent (or 45,700 jobs) to 3,799,800 jobs from the same period last year, the 38th consecutive month of year-over-year increase. (See page 2)
- Hampton Roads nonfarm employment (not seasonally adjusted) rose 2.5 percent (or 18,800 jobs) to 769,300 in June from the same period last year. Regional employment grew year-over-year for 29 consecutive months since February 2011. (See page 2)
- From January to June 2013, the average sales price of homes sold in Hampton Roads rose to \$229,689 from \$220,078, a 4.4 percent increase from the same period last year. (See page 3)
- In Norfolk, the average price of homes sold also increased year-to-date through June by 9.4 percent, from \$174,114 to \$190,465. The increase was due to the average price of sales of existing and new homes, which have risen by 9.4 percent and 1.4 percent, respectively. (See page 3)
- The number of housing units in Norfolk authorized by building permits through June was up by 201 units, mainly due to housing units permitted in multi-family structures. (See page 4)
- Fiscal year-to-date through May, Norfolk sales taxes was up 0.4 percent (or \$103,300). However, adjusting for the correction of an overpayment by the Virginia Department of Taxation, sales taxes are up 1.5 percent (or \$402,900). (See page 5)
- Real GDP increased at an annual rate of 1.7 percent (first estimate) in the second quarter of 2013, which follows a revised 1.1 percent growth in the first quarter. (See page 6)

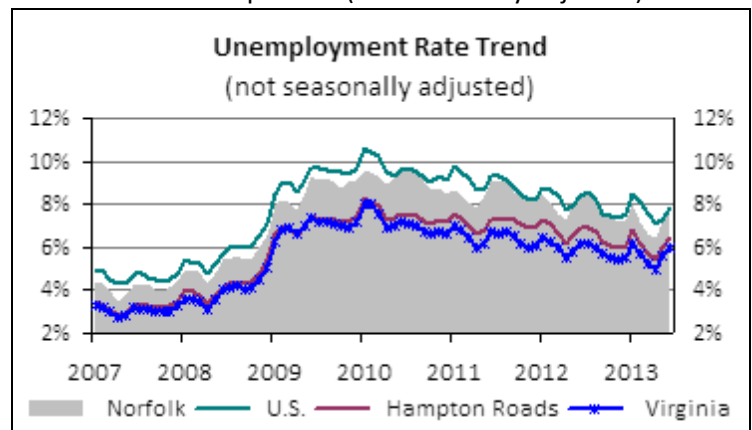
Residential Employment

Hampton Roads and State Unemployment Rate (not seasonally adjusted)

	June 2013*	May 2013	June 2012	10-Year Average
Norfolk	7.6%	7.2%	8.5%	6.4%
Chesapeake	6.1%	5.7%	6.5%	4.8%
Hampton	7.2%	6.8%	8.1%	5.9%
Newport News	6.8%	6.4%	7.5%	5.7%
Portsmouth	7.9%	7.7%	8.8%	6.5%
Suffolk	6.5%	6.2%	7.1%	5.3%
Virginia Beach	5.7%	5.3%	5.8%	4.4%
Hampton Roads	6.4%	6.0%	6.9%	5.1%
Virginia	6.0%	5.6%	6.2%	4.8%

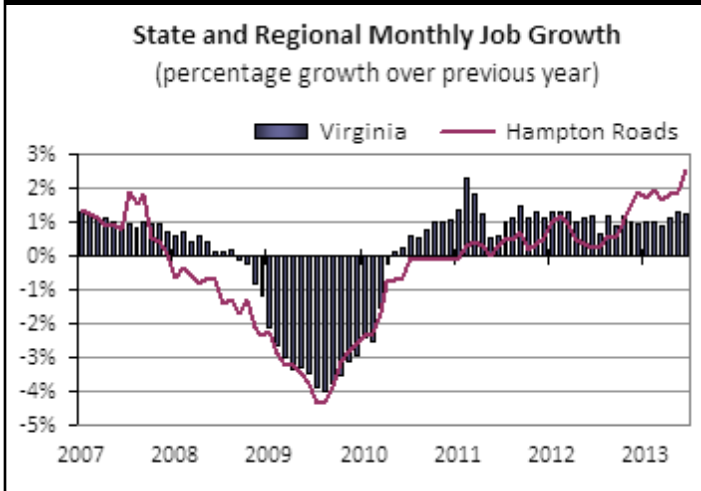
The Virginia Employment Commission (VEC) reported that Norfolk's unemployment rate (not seasonally adjusted) stood at 7.6 percent in June, which was 0.9 percentage point below last year's rate (June 2012) and 0.4 percentage point above last month (May 2013). The unemployment rate in the seven major cities in the region and statewide fell year-over-year and rose from the previous month. According to the VEC, the unadjusted unemployment rate typically increases in June from May due to college graduates and students entering the labor market seeking employment.

Norfolk's unemployment rate has declined year-over-year in every month since October 2010. The year-over-year decline in June reflected a decline in unemployed Norfolk residents by 888 (9.9 percent), growth in employed residents by 1,734 (1.8 percent), with the labor force rising by 846 residents (0.8 percent). Norfolk's unemployment rate remained below the national rate of 7.8 percent (not seasonally adjusted).



Source: Virginia Employment Commission and U.S. Bureau of Labor Statistics.
* Preliminary figures, subject to revision in the following month.

State and Regional Job Growth



Virginia's nonfarm employment (not seasonally adjusted) rose year-over-year in June by 1.22 percent (or 45,700 jobs) to 3,799,800 jobs from 3,754,100 jobs in June 2012, the 38th consecutive month of year-over-year increase since May 2010. The statewide year-over-year growth has been broad based, and among the major industries, only information, federal government and mining/logging (not shown in the table below) saw a decline.

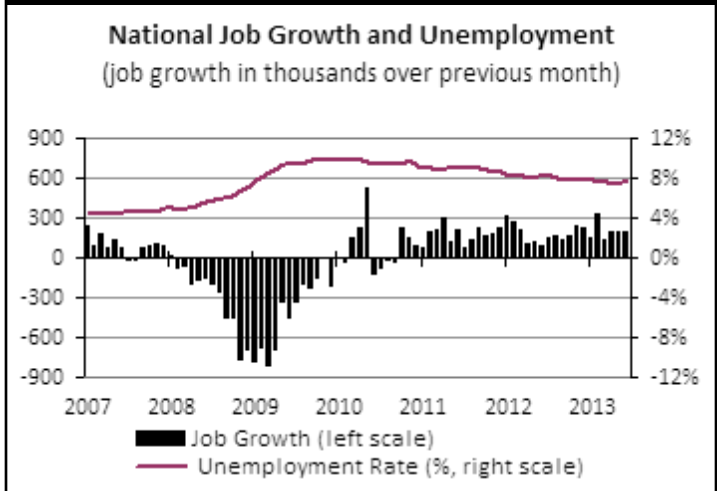
In Hampton Roads, nonfarm employment (not seasonally adjusted) also rose year-over-year in June by 2.5 percent (or 18,800 jobs) to 769,300 from 750,500 jobs in June 2012, the 29th consecutive month of year-over-year increase since February 2011. Like the state, only a few of the major industries saw a decline: retail/wholesale trade; information; and federal government. In other Virginia metropolitan areas, nonfarm employment (not seasonally adjusted) also grew year-over-year, except Charlottesville, which saw a decline of 2.37 percent (or 2,400 jobs).

June Job Change in Select Industries

(not seasonally adjusted¹; job changes are from previous year)

	Hampton Roads ²	Virginia ²
Construction	4,000	1,700
Manufacturing	2,800	1,800
Trade (Retail and Wholesale)	-1,200	3,500
Transportation and Utilities	100	2,900
Information	-400	-2,300
Financial Activities	3,800	8,400
Professional and Business Services	1,600	5,800
Educational and Health Services	3,700	13,700
Leisure and Hospitality	3,900	7,600
Government	400	2,300
<i>Federal Government</i>	-1,000	-400
<i>State Government</i>	700	1,400
<i>Local Government</i>	700	1,300

National Job Growth



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) rose by 195,000 jobs in June. With the upward revised job growth in April and May by 70,000 jobs, jobs added year-to-date (YTD) totaled about 1.2 million or an average of 202,000 jobs per month. Jobs growth YTD have mainly been in the private sector (1.23 million jobs). In contrast, the public sector overall continued to lose jobs, but at a lower pace compared to last year. Also, within the public sector, local government added 46,000 jobs. Since February 2010 when total employment was at its lowest, the economy added about 6.6 million jobs, about three-quarters of the 8.7 million jobs lost from January 2008 to February 2010. In June, the seasonally adjusted unemployment rate was unchanged from May at 7.6 percent.

National Job Change by Industry

(seasonally adjusted; May/June growth are from previous month)

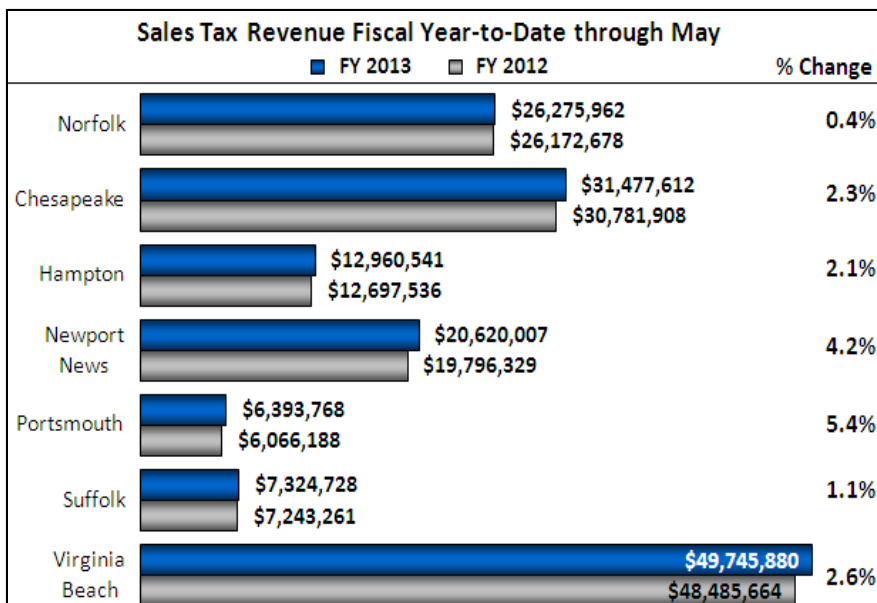
	May 2013 ³	June 2013 ²	CY 2013 YTD ²
Mining & Logging	0	1,000	7,000
Construction	7,000	13,000	101,000
Manufacturing	-7,000	-6,000	13,000
Trade/Transportation/Utilities	30,000	45,000	144,000
Information	1,000	-5,000	12,000
Finance	6,000	17,000	65,000
Professional/Business Services	65,000	53,000	385,000
Educational/Health Services	23,000	13,000	166,000
Leisure and Hospitality	69,000	75,000	329,000
Other Services	13,000	-4,000	12,000
Government	-12,000	-7,000	-23,000
<i>Federal Government</i>	-17,000	-5,000	-46,000
<i>State Government</i>	-11,000	-15,000	-23,000
<i>Local Government</i>	16,000	13,000	46,000
Total Job Growth	195,000	195,000	1,211,000

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. ¹ Data on regional employment by industry available on a not seasonally adjusted basis only. ² Preliminary. ³ Revised.

Norfolk and Regional Sales Tax

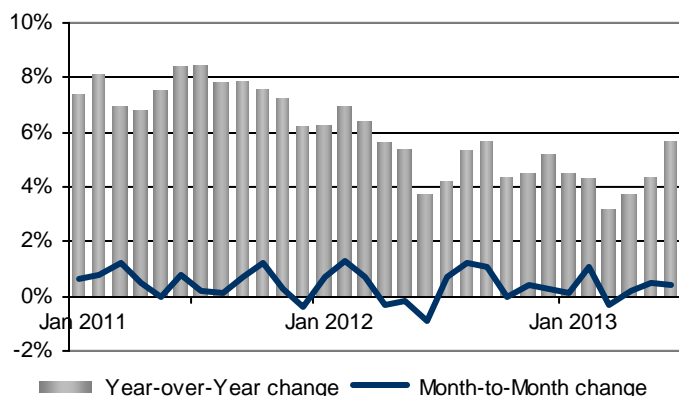
Norfolk sales tax collections in May was about \$2.41 million, which was 36 percent (or \$641,700) above the amount collected last year (May 2012). However, the increase was due to the correction of an overpayment by the Virginia Department of Taxation last year. Adjusting for the correction, the growth in May was about 2.2 percent. All the seven major cities in the region also saw a year-over-year increase.

Fiscal year-to-date through May, Norfolk's sales tax collections was about \$26.3 million, which was 0.4 percent (or \$103,300) above last year. However, adjusting sales tax collections this year and last year for the correction by the Virginia Department of Taxation, Norfolk sales taxes are up fiscal year-to-date by 1.5 percent (or \$402,900). The other major cities in the region also saw year-over-year growth in sales tax collections to date.



National Retail and Food Service Sales

Percent Change in National Retail and Food Service Sales
(seasonally adjusted but not adjusted for price changes)



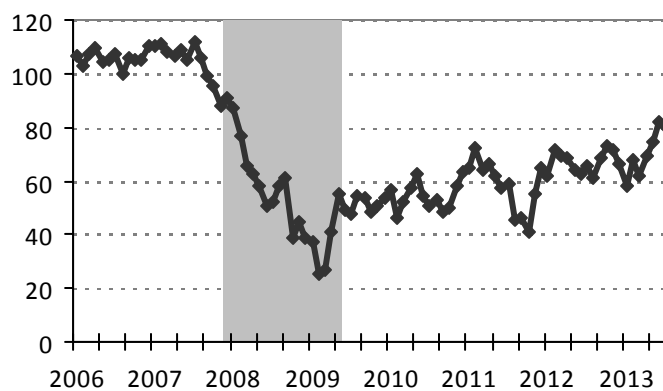
The U.S. Census Bureau reported national retail and food services sales in June rose 0.4 percent (preliminary) from the previous month (May 2013), the third straight monthly increase. Most of the increase (over 90 percent) was due to motor vehicles and parts sales, which rose 2.1 percent, the largest increase since November 2012. Nonstore retailers, gas stations, furniture and home furnishing stores, clothing stores, health/personal care stores, general merchandise stores, and sporting goods/hobby/book and music stores also contributed to the monthly growth, while restaurants and bars, building material/garden equipment and supplies dealers, food and beverage stores, and electronic/appliance stores reduced the growth.

From last year (June 2012), retail and food service sales rose 5.7 percent, the largest increase since March 2012. The year-over-year increase was fairly broad based. Among the major retail categories, only electronics and appliance stores and department stores saw a decline.

Source: Virginia Department of Taxation, U.S. Census Bureau, and Conference Board.

Consumer Confidence Index

Consumer Confidence Index

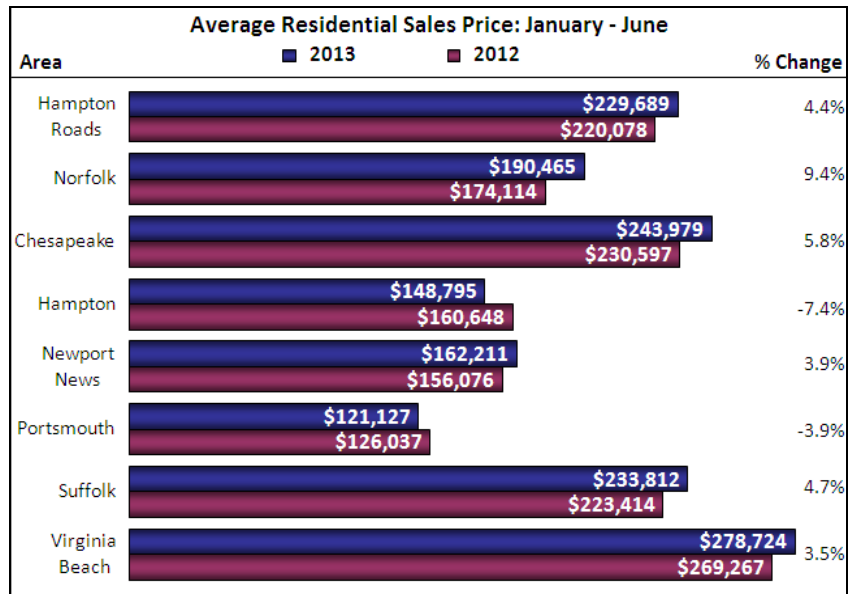


The Conference Board reported consumer confidence edged down in July to 80.3, after reaching a five year high in June. The decline in the Consumer Confidence Index was mostly due to consumer appraisal of future business conditions, which, as measured by the Expectations Index, fell to 84.7 from 91.1 in June. In contrast, consumer appraisal of current business conditions, as measured by the Present Situation Index, rose again for the fourth straight month to 73.6 in July from 68.7 in June.

Lynn Franco, Director of Economic Indicators at The Conference Board indicated "Consumer Confidence fell slightly in July, precipitated by a weakening in consumers' economic and job expectations. However, confidence remains well above the levels of a year ago. Consumers' assessment of current conditions continues to gain ground and expectations remain in expansionary territory despite the July retreat. Overall, indications are that the economy is strengthening and may even gain some momentum in the months ahead."

Regional Housing Market

Jan. - June Home Sales	Housing Units Sold		Average Days on Market	
	2012	2013	2012	2013
Hampton Roads	9,359	10,273	101	93
Norfolk	1,205	1,256	99	94
Chesapeake	1,478	1,686	88	78
Hampton	666	661	111	101
Newport News	758	856	103	107
Portsmouth	545	574	108	98
Suffolk	537	617	108	98
Virginia Beach	2,758	2,940	90	79



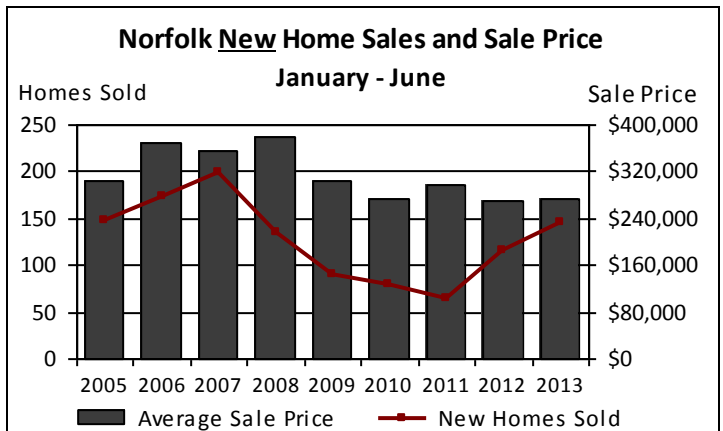
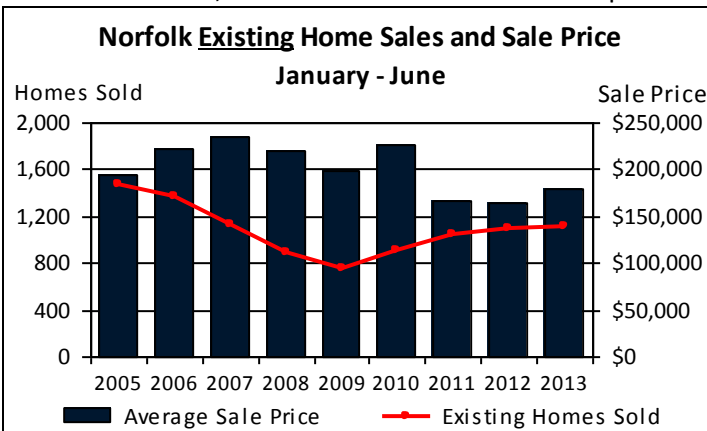
Through the first six months of 2013, the average sales price of homes sold in the Hampton Roads region rose 4.4 percent from \$220,078 last year to \$229,689 this year, according to the Real Estate Information Network (REIN). Norfolk has had the largest percentage increase in the average sales price of homes sold year-to-date (YTD) at 9.4 percent among the seven major cities in the region, while Hampton and Portsmouth have both had a decline in the average sales price of 7.4 percent and 3.9 percent, respectively. However, compared to the average sales price for all of 2012, the increase in the average sales price in the region and Norfolk was only 2.0 percent and 4.5 percent, respectively. The increase YTD from the same period last year was likely due to the steady decline in the percentage of distressed sales (short sales and foreclosures), which was at its lowest level since June 2010. Moreover, the inventory of homes for sale has continued to decline, from a 7.44 months' supply last year to a 6.47 months' supply this year.

The number of homes sold in the region continued to be above last year. Regional home sales YTD were up 9.8 percent. Among the seven major cities in the region, only Hampton is seeing a slight decline in home sales. The increase in homes sold is likely to continue in the near term, due to the increase pending sales (homes under contract), which were up 11.93 percent in June from last year. According to REIN, Portsmouth and Norfolk had the largest increase at 32.98 percent and 23.35 percent, respectively, among the area's major cities.

Norfolk Housing Market

From January through June, existing home sales in Norfolk continues to be slightly above the same period last year by 1.8 percent (20 homes), from 1,090 homes sold last year to 1,110 homes sold this year. The average sales price of existing homes sold through June was also up from last year by 9.4 percent, from \$164,100 to \$179,600. The increase in price reflected a decline in existing homes sold for under \$100,000 and an increase in homes sold \$200,000 and up.

New home sales also increased YTD by 31 homes (or 27 percent), from 115 homes sold last year to 146 homes sold this year. The average sales price of new homes also increased slightly by 1.4 percent, from \$269,400 to \$273,300. The increase in price reflected an increase in new homes sold above in \$200,000 range. Overall, existing and new homes combined, homes sales in Norfolk rose 4.2 percent.



Source: Real Estate Information Network (REIN)

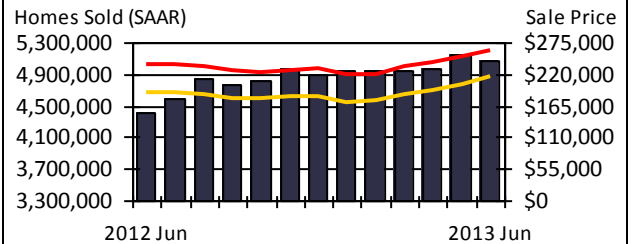
National Housing Market

Existing home sales nationally fell slightly by 1.2 percent in June from the previous month (May 2013), after increasing 3.4 percent in May, to a seasonally adjusted annual rate (SAAR) of 5.08 million. However, existing home sales were above last year's rate by 15.2 percent, the 24th consecutive month of year-over-year increase. New home sales, however, rose 8.3 percent from last month, for the third straight month, to 497,000 (SAAR), which was above last year by 38.1 percent and are at their highest rate since May 2008.

The average sales price of existing and new homes sold in June both rose from last year by 9.6 and 8.5 percent to \$261,100 and \$295,000, respectively. NAR indicated, "the decline in sales of distressed homes, which typically sell at a reduced price, accounts for some of the price growth," as well as, the low inventory of homes for sale which continue to favor sellers. The inventory of homes for sale in June stood at a 5.2 and 3.9 months' supply for existing and new homes, respectively.

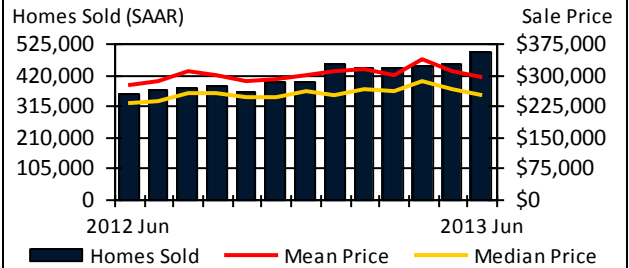
Existing Home Sales and Sale Price

June 2012 - June 2013



New Home Sales and Sale Price

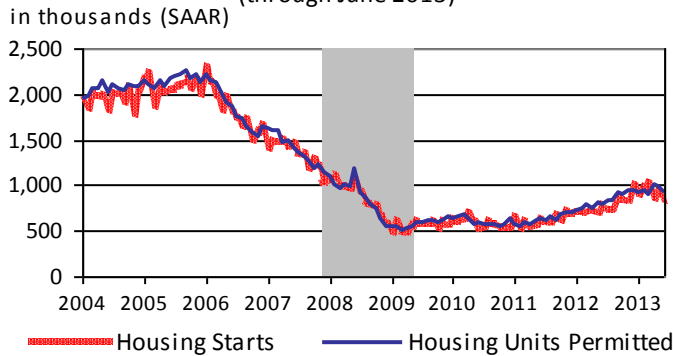
June 2012 - June 2013



National New Residential Construction

National Housing Starts and Building Permits

(through June 2013)



In June, privately-owned housing starts fell 9.9 percent to a seasonally adjusted annual rate (SAAR) of 836,000, after increasing 8.9 percent (revised) last month. The monthly decline was seen in both single and multi-family housing starts, with the decline being much larger for multi-family housing starts. However, housing starts were above the previous year's rate by 10.4 percent (June 2012), due to both single and multi-family housing starts.

Housing starts may continue to decline next month as privately-owned housing units authorized by building permits in June fell for the second straight month to 911,000 (SAAR) from 985,000 (revised), a 7.5 percent decline. However, like housing starts, permits continued to be above last year's rate of 757,000 by 16.1 percent.

The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building. A house is defined as completed when all finished flooring has been installed or at the time of occupancy.

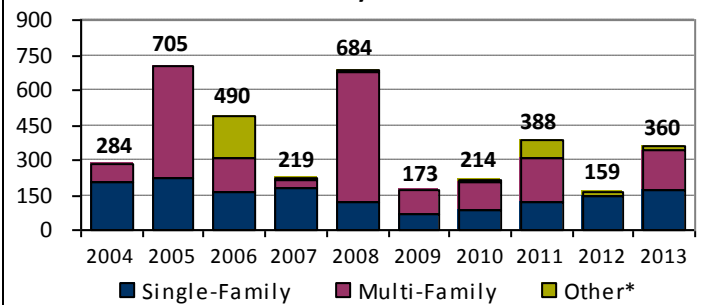
Source: National Association of Realtors, U.S. Census Bureau, and City of Norfolk Economic Development. * "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Shaded area denotes recession.

Norfolk Residential Building Permits

Through June, the number of housing units permitted in Norfolk was above the same period last year by 201 units, from 159 last year to 360 this year. The increase continues to be mainly from housing units permitted in multi-family structures, which was up by 168 units year-to-date. Multi-family structures also drove the fluctuations in the housing units permitted in prior years. Single-family homes permitted also rose, but at a more moderate pace by 32 units (22.4 percent). Single-family housing units permitted were at their highest level since 2008.

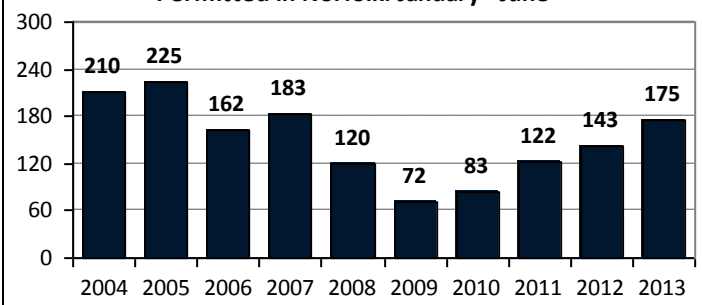
Number of Housing Units Permitted in Norfolk

January - June

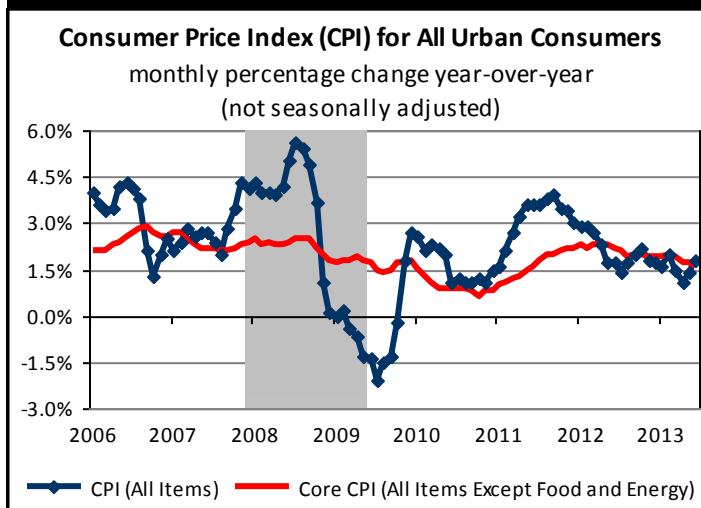


Number of New Single Family Dwellings

Permitted in Norfolk: January - June

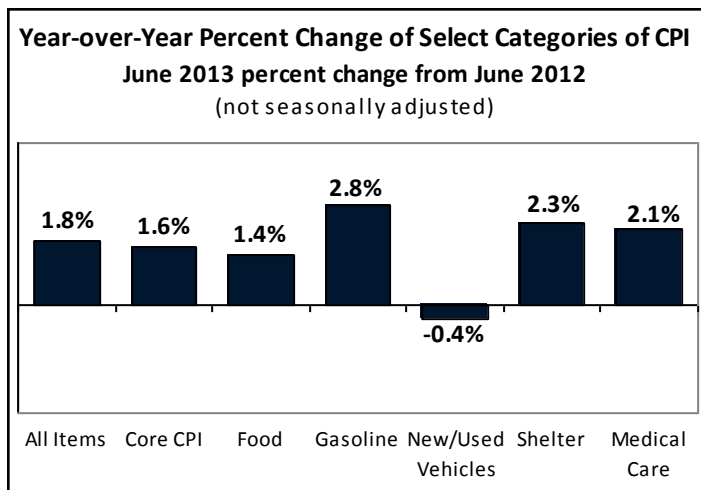


Consumer Price Index



The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported the CPI for all urban consumers rose for the second straight month in June from May by 0.5 percent (seasonally adjusted). BLS indicated that a third of the increase was due to the gasoline index, which rose 6.3 percent in June. Among the other energy indices, electricity also rose in June by 0.2 percent, while fuel oil and natural gas fell by 0.5 percent and 0.4 percent, respectively. The food index also increased in June by 0.2 percent, and the core CPI, which excludes food and energy, increased 0.2 percent as well.

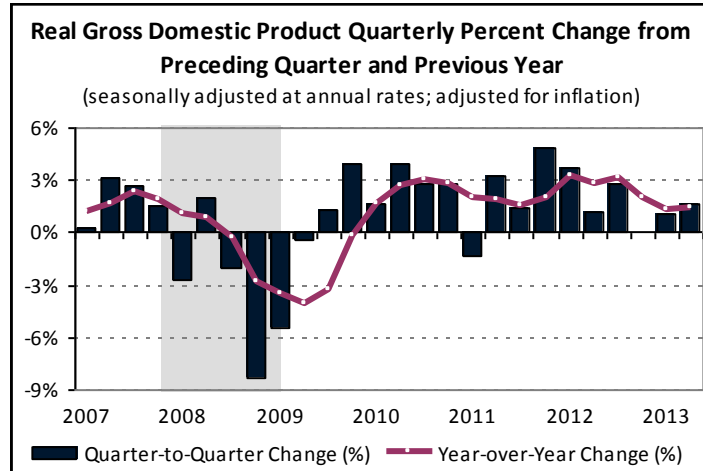
From the previous year, the CPI for all urban consumers rose by 1.8 percent before seasonal adjustment. The food index rose year-over-year by 1.4 percent, while the energy index rose 3.2 percent. Within energy, all the major components saw an increase: gasoline (2.8 percent); electricity (1.9 percent); natural gas (11.7 percent); and fuel oil (1.8 percent). The core CPI increased 1.6 percent, which according to BLS was the smallest year-over-year increase since June 2011.



Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Shaded areas represents recession as determined by the National Bureau of Economic Research.

Real Gross Domestic Product (GDP)

Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 1.7 percent (first estimate) in the second quarter of 2013, above the 1.1 percent growth in the first quarter of 2013.



Growth of real GDP in the second quarter reflected:

- **consumer spending** rising by 1.8 percent;
- **private residential investment** rising by 13.4 percent;
- **business investment in structures, equipment, and intellectual property products** increasing 4.6 percent, after a 4.6 percent decline in the previous quarter;
- **business inventory investment** increasing by \$56.7 billion;
- **exports** turned up, growing by 5.4 percent, compared to a 1.3 percent decrease in the previous quarter; and
- **state and local government spending** rising by 0.3 percent, after decreasing for three straight quarters.

These increases were offset by a decline in federal government spending and an increase in imports, which are a subtraction from real GDP.

BEA also reported real GDP growth in 2012 was revised upward to 2.8 percent from 2.2 percent.

